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ASSET BUILDING
POLICY PROJECT

October 13, 2011

The Honorable Geoff Davis
The Honorable Lloyd Doggett
Subcommittee on Human Resources
House Committee on Ways and Means
1101 Longworth House Office Building
Washington, D.C. 20515

RE: Letter of Record: promote asset limit reform in the TANF program to encourage work, access to financial services and economic self-reliance among working poor households

Dear Chairman Davis and Ranking Member Doggett,

The Community Economic Development Association of Michigan thanks you for holding the September 8 hearing on the reauthorization of the Temporary Assistance for Needy Families (TANF) program. We agree with the subcommittee that more can be done to ensure the program provides a much needed safety net and promotes the economic mobility of TANF recipients.

CEDAM is a statewide association of community development corporations and numerous other public and private partners dedicated to improving Michigan's communities through community-based economic development. CEDAM advances community-based economic development to revitalize and rebuild Michigan communities and neighborhoods, serving as the unified voice of member organizations and generating resources through advocacy and collaboration. To further this work, CEDAM coordinates several statewide initiatives including the Michigan Asset Building Policy Project, the Michigan EITC Coalition, the Michigan Foreclosure Task Force and the Michigan Rural Network. All of these efforts are focus on helping working families achieve lasting and sustainable financial security.

This is why we urge the Committee to remove asset limits for TANF recipients. Asset limits are a critical obstacle to financial self-reliance for TANF recipients. The original intent behind asset limits was to ensure that only those most in need received benefits. However, the federal ceiling for asset limits has not increased since 1996 and still remains at \$2,000. The strict limits in federal policy also have a negative impact on state policy as is the case currently in Michigan where recent changes in TANF and Supplemental Nutrition Assistance Program eligibility rules will push more than 14,000 children into poverty and end food assistance to potentially tens of thousands of households.

By restricting TANF recipients to only \$2,000 in savings, the law forces many recipients to stay unbanked, makes it difficult for young people or households with children to save up for higher education and discourages retirement plan participation. This is especially true in Michigan where, over the past decade, more families have depleted their savings in order to gain temporary assistance then have been denied (or had their case closed) for exceeding the asset limit: as a result, more Michigan families are asset poor and less able to achieve financial security and independence.

Studies have clearly proven that **both** income and assets are key to economic security. We recommend Congress:

- **Eliminate the asset limit test in TANF.** Eliminating the asset test provides the most administrative savings. Enforcing asset limits once someone begins receiving benefits just discourages opening a bank account and saving money. Eliminating the asset test saves significant staff time and provides a better allocation of resources toward work.
- **If Congress cannot eliminate the asset test, it should raise it to \$10,000 and retain the state flexibility.** While raising the asset limit will not have the same type of administrative savings we seek, it will remove the disincentive to open a bank account and save. A higher test should also follow the lead of the SNAP program and exclude all retirement accounts and college education investment accounts such as 529s and Coverdells. We also recommend excluding Savings Bonds as well.

Thank you for focusing on strategies to enable struggling families move up the economic ladder.

Sincerely,



Ross H. Yednock
Director, Asset Building Policy Project
The Community Economic Development Association of Michigan

Cc: The Honorable Dave Camp, Chairman, Ways and Means Committee
The Honorable Sander Levin, Ranking Member, Ways and Means Committee